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# 2019 FEDERAL BUDGET SUMMARY

Today, on March 19, 2019, Finance Minister Bill Morneau released the 2019 Federal Budget (the "Budget"). As expected, the Budget does not include any significant tax increases. The Budget does, however, contain significant spending increases, which is not surprising in an election year. What follows is a summary of the most significant tax changes included in the Budget.

**Canada Training Tax Credit (CTTC)**
A new notional account will be created, which will accumulate at $250 per qualifying year. The following conditions must be met in order for a particular year to qualify:

1. File a tax return for the year;
2. Be at least 25 years of age and less than 65 years of age at the end of the year;
3. Be resident in Canada throughout the year;
4. Earn $10,000 or more during the year; and
5. Have individual net income (Line 236) that does not exceed the top of the third tax bracket for the year (currently $147,667).

The additions to the CTTC cannot exceed $5,000 in the taxpayer's lifetime. The CTTC can be claimed as a refundable tax credit in a year where eligible tuition and fees are paid for post-secondary education or training. The refundable amount will be limited to 50% of the tuition fees paid in the year, or the prior year CTTC balance, whichever is less. The amount is first applied to federal taxes otherwise payable, with the remainder being refunded. Any amounts claimed under this tax credit will not be eligible for the regular tuition tax credit. Eligible tuition fees will exclude amounts paid in respect of education outside of Canada, although those may still qualify for the tuition tax credit.

This measure applies to 2019 and subsequent taxation years. This means that taxpayers will not be able to claim the first year credit ($250) until 2020.

**Home Buyers' Plan (HBP)**
The withdrawal limit for the HBP will be increased from $25,000 to $35,000, effective after March 19, 2019. This is the amount than can be withdrawn from a registered retirement savings plan (RRSP) and used to purchase a qualifying home.

The first-time home buyer requirement under the HBP will also be relaxed in respect of taxpayers who separate from a spouse or common-law partner (i.e. live separate and apart from the spouse or common-law partner for a period of at least 90 days due to a breakdown in the relationship). In order to qualify as a first-time home buyer in a year under these new rules, the taxpayer must:

1. Have separated in the year, or in any of the preceding four years;
2. Not live principally in the home of a new spouse or common-law partner; and
3. Dispose of the previous place of residence (or be bought out of it) within two years after the end of the year.

This latter measure will apply after 2019.

**Election on Change in Use of a Property**
The rules will be expanded to allow a partial change of use of a multi-unit residential property to qualify for an election to defer the deemed disposition which would normally result from the change in use.

This measure will apply to changes in use on or after March 19, 2019.

**Advanced Life Deferred Annuity (ALDA)**
The ALDA is a new allowable investment in a deferred income plan (e.g. RRIF) which will be excluded from the value of the plan in determining minimum withdrawals. Income payments under an ALDA can be deferred until age 85. However, there will be percentage-of-asset and dollar limits applied to the amounts than can be invested in an ALDA.

This measure will be released in draft legislation at a future date, with application dates to be determined at that time.

**Canadian Journalism Tax Credits**
New tax credits will be introduced with respect to Canadian journalism. A Qualifying Canadian Journalism Organization (QCJO) will be defined as follows:

1. Corporation, partnership or trust operating in Canada;
2. Incorporated and resident in Canada;
3. Chairperson and 75% of its directors are Canadian citizens;
4. Owned at least 75% by Canadian citizens or QCJOs;
5. Primarily engaged in the production of original news content, primarily focused on matters of general interest and current events and not primarily focused on a specific topic;
6. Regularly employs two or more journalists in production who deal at arm's length with the organization;
7. Not significant engaged in production of promotional content, or content for a government, Crown corporation, or government agency; and
8. Not a Crown corporation, municipal corporation, or government agency.

QCJOs will be eligible to register for qualified donee status, enabling them to accept donations eligible for the charitable donation tax credit, subject to certain additional conditions. This measure will take effect after 2019.

QCJOs will be eligible to receive a refundable labour tax credit equal to 25% of salary and wages paid to eligible news room employees, subject to certain additional conditions. The salary cap will be set at $55,000 per eligible newsroom employee, representing $13,750 in maximum tax credits per eligible newsroom employee. This measure will apply to salary and wages earned in respect of a period on or after January 1, 2019.

Individual taxpayers will be eligible to claim a temporary non-refundable tax credit equal to 15% of amounts paid for eligible digital news subscriptions to content issued by a QCJO, to a maximum of $500 ($75 maximum tax credit per year). This measure will apply to eligible amounts paid after 2019 and before 2025.

**Enhancement of Capital Cost Allowance (CCA) for Zero-Emission Vehicles (ZEVs)**
Taxpayers acquiring new ZEVs for use in a business will be entitled to claim 100% CCA in the year in which the vehicle becomes available for use, to a maximum of $55,000. A ZEV will be defined as follows:

1. Fully electric;
2. Plug-in hybrid with a battery capacity of at least 15 kWh; or

3. Fully powered by hydrogen.

Taxpayers will be eligible to elect out of this enhanced CCA deduction if they wish to do so.

This measure applies to ZEVs acquired on or after March 19, 2019, but the enhancement will be phased out as follows:

1. ZEVs acquired in 2024 and 2025 – 75% CCA in the first year
2. ZEVs acquired in 2026 and 2027 – 50% CCA in the first year
3. ZEVs acquired in 2028 and beyond – no enhancement

**Enhanced Scientific Research and Experimental Development (SR&ED) Expenditure Limit**
The reduction in the SR&ED expenditure limit based on taxable income of the associated group of companies will be repealed, effective for taxation years that end on or after March 19, 2019. This limit determined the amount of qualified SR&ED expenditures that may be eligible for the enhanced 35% investment tax credit.

Note that there is still be a reduction in the SR&ED expenditure limit based on the taxable capital of the associated group.

**SUMMARY**
Overall, the Budget was more of a spending budget with few significant tax changes. That being said, we encourage you to contact your Johnsen Archer advisor to discuss the changes and how they may affect your business.

Thank you for your business!